

ORDER NO. 4738

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
GEPS 7 (MC2016-196)
Negotiated Service Agreements

Docket No. CP2018-25

ORDER APPROVING MODIFICATION ONE TO
GEPS 7 NEGOTIATED SERVICE AGREEMENT

(Issued July 31, 2018)

I. INTRODUCTION

The Postal Service seeks to modify a Global Expedited Package Services 7 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of the United States Postal Service of Filing Modification One to a Global Expedited Package Services 7 Negotiated Service Agreement, July 16, 2018 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 4191, the Commission approved the Global Expedited Package Services 7 negotiated service agreement (Existing Agreement).² On July 16, 2018, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On July 17, 2018, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

On July 26, 2018, Chairman's Information Request No. 1 was issued.⁴ CHIR No. 1 asked the Postal Service to publically file redacted copies of the Modification and the certified statement as required by 39 C.F.R. § 3007.10(b). CHIR No. 1 at 1. The Postal Service filed the redacted documents on July 27, 2018.⁵

The Postal Service intends for the Modification to become effective August 1, 2018. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁶ No other person submitted comments. The Public Representative reviewed the Modification and the Existing Agreement. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

² Order Approving Additional GEPS 7 Negotiated Service Agreement, October 30, 2017 (Order No. 4191).

³ See Docket No. CP2018-25, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 17, 2018.

⁴ Chairman's Information Request No. 1, July 26, 2018 (CHIR No. 1).

⁵ Response of the United States Postal Service to Chairman's Information Request No. 1, July 27, 2018, at 3-21 (Response to CHIR No. 1).

⁶ Public Representative Comments on the United States Postal Service Notice of Modification One to a Global Expedited Package Services 7 Negotiated Service Agreement, July 24, 2018 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, the Response to CHIR No. 1, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification adds additional pricing tables to Annex 1 of the Existing Agreement and revises the article concerning payment methods to additionally refer to the new tables. Response to CHIR No. 1 at 3-20.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Expedited Package Services 7 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Expedited Package Services 7 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's

Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service states that the Modification shall become effective August 1, 2018. Notice at 1.

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Global Expedited Package Services 7 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary